



Corporate NO: C433

Report COUNCIL DATE: September 13, 1999

COUNCIL-IN-COMMITTEE

TO: Mayor & Council **DATE: September 9, 1999**

FROM: General Manager, Planning & Development **FILE: 2104-015**

SUBJECT: Affordable Home Ownership Policy - Implementation Strategy

RECOMMENDATION

It is recommended:

1. That Council receive this report as information;
2. That Council approve the revised Affordable Home Ownership Policy, as attached in Appendix I;
3. That Option 2, the Home Ownership Assistance Program, as described in Appendix II, be implemented starting in 1999;
4. That the Greater Vancouver Housing Corporation be retained by the City to administer the implementation of Option 2, the Home Ownership Assistance Program, based on the administration agreement attached in Appendix IV;
5. That the City Clerk be authorized to introduce a By-law to repeal the "Affordable Housing Statutory Reserve Fund By-law, 1992, No. 11511", and to authorize the establishment of an Affordable Housing Special Reserve Fund, as attached in Appendix V, and that prior to final adoption a counter petition opportunity be provided with respect to the establishment of a "Special Reserve Fund" under Section 499 of the Municipal Act;
6. That the City Clerk be authorized to introduce an Expenditure By-law, as attached in Appendix VI, after the adoption of the Affordable Housing Special Reserve Fund By-law, to authorize the expenditure of moneys for the GVHC to implement the Home Ownership Assistance Program; and
7. That staff be directed to study further and report on the requirements to implement Option 1, the Home

Ownership Development Program, in future years.

INTENT

The purpose of this report is to:

- discuss recommended refinements and revisions to the Affordable Home Ownership Policy, and propose that the policy be implemented in two phases,
- seek approval for proceeding with:
 - i. implementing the Home Ownership Assistance Program as Phase 1 of the Policy, and
 - ii. entering into an administration agreement with a non-profit housing society to administer the Program,
- describe the terms and conditions of the administration agreement, and
- seek authority for the City Clerk to introduce the necessary By-laws to support the implementation of Home Ownership Assistance Program.

BACKGROUND

On July 6, 1998, Council adopted the Affordable Home Ownership Policy and directed staff to prepare an implementation strategy in support of the policy for consideration by Council.

A. Overview of the Policy

The Affordable Home Ownership Policy, adopted by Council on July 6, 1998, provides for assistance to households who reside in Surrey and who would not typically be able to enter the housing market due to income constraints. Other objectives of the policy are:

- To use the Affordable Housing Reserve Statutory Fund on a “revolving fund” basis so that it can continue to exist and provide a benefit to the City's citizens over time. (This would involve using the interest generated by the fund and leaving the principal intact.)
- To ensure that households who are assisted do not recognize a “windfall” as a result of the application of the policy;
- To use the Fund in such a way that Surrey residents are assisted; and
- To minimize administration costs associated with the policy's implementation and ongoing maintenance.

The policy focuses on Surrey residents who are first time home buyers with incomes at least 10% below the median household income in the City. Based on 1996 Census data, this will include households with annual incomes of \$42,500 or less. The July 6, 1998, report identified two different approaches for providing assistance.

Under Option 1, the City would assist a specific developer(s) to provide dwelling units at prices below market. The City and the developer(s) each would be responsible for absorbing half the cost of achieving a 15% price reduction for each unit.

Option 2 provides for a direct subsidy to qualified households. Under this approach, qualified households would receive an interest free loan of 15% of the purchase price of a newly constructed unit located in Surrey.

B. Affordable Housing Statutory Reserve Fund

Under both options, funding to implement the policy was to be provided from the Affordable Housing Statutory Reserve Fund. The amount will be limited to a maximum of the annual interest earned during the previous year on the principal contained in the Fund. The Fund contains approximately \$7.1 million and generates approximately \$300,000 in interest revenue annually. The amount available for the Affordable Home Ownership Program would be allocated by Council on an annual basis in conjunction with the adoption of the City's annual Operating Budget. In 1999, \$300,000 has been allocated for the Program, subject to Council approving the appropriate expenditure by-law. (Additional issues with respect to the Affordable Housing Statutory Reserve Fund are described in Section G of this report.)

DISCUSSION

A. Policy Refinements and Revisions

Since adoption of the Affordable Home Ownership Policy, some sections of the Policy have been identified as requiring additional clarification and further consideration to allow for effective implementation of the Policy. A revised Affordable Home Ownership Policy is attached in Appendix I, with adjustments in the following areas:

The recommended revisions include:

1. Qualifying Households - targeting the policy to “families with dependants” instead of “individuals/families”.
 - The policy currently provides that both “individuals and families” are eligible to apply for the Program. Upon further review it is considered more effective to target the Program exclusively to families, in particular families with dependants, since such households will have greater difficulty achieving home ownership than individuals, assuming comparable income levels. It is proposed that qualifying households/ families will include families with children 18 years old and younger, and persons with physical or mental challenges limiting their ability to live independently.
2. Types of Assistance - inserting descriptive labels for Option 1 and Option 2.
 - The two approaches under the Policy for providing funding to qualified first time home buyers are referenced in the Policy as Option 1 (partnering with developers) and Option 2 (direct loan to qualified households). Names are proposed for each of these options for clarity and ease of understanding. The names for the options are:
Option 1, “Home Ownership Development Program”; and
Option 2, “Home Ownership Assistance Program”.
3. Maximum Loan Amount - setting a maximum value for the loan assistance.
 - The Policy previously adopted by Council provided that selected households are eligible for a loan in the amount of 15% of the purchase price of a home without any stipulated maximum amount of such

a loan. It is proposed that the amount of the loan be limited to the lesser of 15% of the purchase price of a home or \$15,000. The \$15,000 maximum amount is considered to be significant assistance toward home ownership under the family circumstances to which the policy would apply.

4. Term of the Policy - extending the “active period” of the policy on a pilot basis.

- As outlined in the report to Council, the affordable home ownership policy is being implemented on an experimental basis for approximately two years, for a period ending September 2000. To provide sufficient opportunity to implement the policy it is suggested that the policy remain in effect for two years after Council adopts the Implementation Strategy.

5. Agreement with Non-Profit Housing Society - keeping contractual arrangements flexible.

- The policy provides that the City will enter into a “partnership agreement” with a non-profit housing society to deliver “affordable homes” under this policy. The Legal Services Division has advised that the agreement may be structured in various ways depending on the nature of the Program to delivered and recommends not using the word “partnership”.

B. Proposed Policy Implementation Phases

Following the adoption of the Affordable Home Ownership Policy by Council, staff discussed implementation issues with several different housing agencies, private developers and a representative of a local financial institution. Based on the analysis and discussions, it was concluded that Option 2, the Home Ownership Assistance Program, would be a reasonable focus as the first phase in implementing the Affordable Home Ownership Policy. It is expected that this will enable selected households to enter the home ownership market within a 12 month period. The detailed income and eligibility requirements of the Home Ownership Assistance Program are attached as Appendix II of this report and will form part of the terms and conditions in the City's agreement with the non-profit housing society.

The Option 1, “Home Ownership Development Program” approach will require more time to research in detail and develop an implementation plan. It is proposed that this work occur at the same time as implementation of Option 2 proceeds. The suggested implementation phases can be summarized as follows:

Phase A: Implement Option 2 - Home Ownership Assistance Program

- Implement Option 2 “Home Ownership Assistance Program” - providing a direct loan to selected households by entering into an agreement with a non-profit society administering the Program.
- Undertake further research and develop an implementation plan for Option 1 “Home Ownership Development Program”.

Phase B: Implement Option 1- Home Ownership Development Program

- Implement Option 1 - working with developers and/or non-profit housing groups

Consultation with Tenants' Rights Action Coalition

In preparing the implementation strategy, staff also met, on June 29, 1999, with representatives of the Tenants' Rights Action Coalition (TRAC), a group working to promote the interests of rental households. TRAC has advised that they have no objection to the proposed Home Ownership Program. However, TRAC would prefer that the City initiate such a Program within the context of a broader affordable housing policy that also considered the needs of low income households who are not able to purchase a home but who seek adequate and affordable rental housing. TRAC is of the view that housing affordability is a complex issue affecting a wide range of household incomes and needs, and requires a range of innovative responses.

C. Selection of a Non-Profit Housing Society for the Implementation of Option 2 - Home Ownership Assistance Program

To implement the Affordable Home Ownership Policy, it is necessary for the City to enter into an agreement with a non-profit housing society. The City will provide funding to the society who will be responsible under the agreement with the City for administering the Program based on the Affordable Home Ownership Policy and implementation plan adopted by Council.

In relation to locating a non-profit society with the mandate and track record in the field of affordable housing to assume responsibility for the administration of the Home Ownership Assistance Program, staff invited two of the largest non-profit housing societies in the Lower Mainland, the Greater Vancouver Housing Corporation (GVHC) and the Affordable Housing Societies (AHS), to submit a proposal regarding their willingness and ability to implement and administer the policy. Both of these agencies were willing to be involved and submitted proposals, and both agencies felt the Program could assist in freeing up the limited number of affordable rental housing units by assisting those at the top of the affordable rental housing market to move into home ownership.

The review of the submitted proposals suggests that both the AHS and GVHC are capable of implementing the Program. However, due to the size of its organization, regional mandate, and Surrey's status as a member municipality, the GVHC is considered to be in a better position to provide a more cost effective and comprehensive approach for administration of the Program. In addition, GVHC has also indicated an interest in pursuing its own independent home ownership Programs in the future, and is therefore prepared to develop a number of materials required for the Program at its own cost.

D. Administration Processes and Procedures of the Home Ownership Assistance Program

Since the Program may generate a significant level of interest and response from Surrey households one of the key considerations in structuring the delivery of the Program is to limit the costs associated with processing, supporting, and screening a large volume of applications. Therefore, the process has been designed to limit detailed verification of eligibility and income requirements to only successful households selected randomly from all applications received. Selected applications that have been confirmed by GVHC to have met all of the Program requirements will then be notified and invited to participate in the Program.

For this approach to be successful, appropriate information material will need to accompany each stage of the process, including clearly defined eligibility criteria, an overview of housing market prices and corresponding income requirements, and complete information on the estimated costs a first time home buyer is likely to encounter when purchasing his/her first home.

Another key aspect to implementing the Program is the preparation of the second mortgage to ensure that the conditions of the Program are respected and the recovery of the payable amount of the assistance. The Second Mortgage will be registered at the Land Title Office against the home purchased under the Program with the City being identified as Second Mortgage holder.

In brief, the Program, summarized in Appendix III, will involve the following steps and processes:

Application Process

- Interested Surrey households will be invited to submit applications.

Selection Process

- A limited number of “candidates” for the Program will be selected on a random and equitable basis from all the applications received.
- Selected “candidates” will be verified as to their eligibility for the Program.

Participant Agreement and Home Purchase

- Successful candidates will be required to enter into a Participant Agreement to qualify as participants in the Program. The Participants Agreement outlines the rights and responsibilities under the Program.
- Participants will have the opportunity to select newly constructed affordable homes from a list of competitively priced units offered by local builders and developers.
- A team of home purchasing specialists will be available to assist participants in all aspects of selecting and purchasing their first home.

Registration of Second Mortgage

- At the time of the purchase of the home the loan provided under the Program will be registered as a Second Mortgage and will be partially forgivable over time.

Program Compliance and Discharge of Second Mortgage

- Participants will need to confirm, on an annual basis, that the home continues to be owner occupied.
- Upon resale of the home, the second mortgage will be discharged and the outstanding amount will be due and payable to the City's Affordable Housing Statutory Reserve Fund.

E. Overview of the Administration Agreement with GVHC

The proposed administration agreement with the GVHC is attached in Appendix IV for consideration by Council, but the following section highlights key aspects of the delivery of the Home Ownership Assistance Program in terms of the roles and responsibilities of both the GVHC and the City.

Under the administration agreement, the GVHC will:

1. enter into a five year agreement with the City to provide a one year period of Program delivery involving the selection of participants and home ownership assistance, followed by a four year period of continuing

Program administration;

2. enable the City, at its option, to enter into a new agreement on similar terms for another five year period;
3. develop for the City's approval the forms, documents and material required to support the delivery of the Program;
4. make application forms and support information packages available to interested families in several locations throughout the City, at the GVHC office and by mail, record all submitted applications, and review the applications for overall completeness;
5. establish a process to select a number of candidates from all of the applications received for the Home Ownership Assistance Program, and then verify, in detail, the information provided by the selected candidates to ensure they meet the eligibility requirements of the Program;
6. require selected and verified candidates to sign a Participants Agreement to affirm their interest in participating in the Program and their understanding of the Program requirements before being considered as participants in the Program;
7. provide support to the households selected for the Program, including a workshop/ seminar, a home buyers information kit and a pre-qualified list of real estate professionals (i.e. banker, realtor, building inspector etc.);
8. conduct a request for proposal call inviting builders and developers to identify affordable homes available on the market, with a view to improving the affordability of the homes purchased by participants under the Program;
9. assist participants through the stages of the home purchasing process, including the verification of the eligibility of the selected home, and registration of the second mortgage agreement;
10. provide annual verification of principal residency requirement, and initiation of compliance procedures should there be a breach of the residency requirement; and
11. provide the City with ongoing reports as to the status of the Program.

While the GVHC assumes complete responsibility for implementing the Home Ownership Assistance Program, as is required under the Municipal Act, the City will continue to have some affiliation and involvement in the Program, including the transfer of funds from the Affordable Housing Fund to cover the cost of the Home Ownership Assistance and administration of the Program. In addition the City will need to assign some staff resources to:

1. assist the GVHC in finalizing the materials, forms and documents to be used for the Program;
2. respond to Program and policy inquiries from Surrey residents;
3. facilitate the distribution of application forms through City facilities (i.e. City Hall and libraries);

4. forward funding in support of the Program delivery and monitoring;
5. provide the GVHC with adequate notice as to the termination of the Program, or changes with respect to terms and conditions of the agreement;
6. respond to issues identified by the GVHC; and
7. upon the conclusion of the agreement with GVHC, the City will assume the monitoring of the Program for any remaining participants that continue to own a home purchased under the Program.

F. Program Administration Costs

As indicated in Schedule C “fees” of the agreement with GVHC, attached in Appendix IV, the estimated administration cost is approximately \$31,000 for the term of the agreement assuming approximately 2,000 applications being received and 17 to 18 participants being selected for the Program. The GVHC has estimated that the administration costs associated with the Program delivery, corresponding with year one of the agreement, not to exceed \$25,500 and the Program monitoring, in years two to five, to be approximately \$5,500. Several aspects of this Program involve one time costs, some of which will be paid by the City and others the GVHC has agreed to complete at its own expense.

G. Affordable Housing Special Reserve Fund By-laws

The implementation of the Program is subject to Council approving an Expenditure By-law authorizing the use of funds from the Affordable Housing Statutory Reserve. The Legal Services Division has reviewed the existing Affordable Housing Statutory Reserve Fund By-law and has indicated that expenditures from the Affordable Housing Statutory Reserve Fund are limited “for and in respect of capital projects” and as such can not be used to support non-capital related expenditures (i.e. providing financial assistance) as proposed under the Home Ownership Assistance Program. To facilitate a broader range of expenditures the Legal Services Division recommends that Council collapse the existing Affordable Housing Statutory Reserve Fund and establish a special reserve fund, under section 499 of the Municipal Act. From a special reserve fund Council may authorize “specified expenditures that can not be accommodated under a capital reserve fund but are otherwise permitted under the Act”. A draft By-law to repeal the existing Affordable Housing Statutory Reserve Fund By-law, 1992, No. 11511 and to establish a new Affordable Housing Special Reserve Fund is attached in Appendix V.

The same Section 499 of the Municipal Act authorizing Council to establish a “special reserve fund” also requires Council to provide a counter petitioning opportunity prior to adopting an Affordable Housing Special Reserve Fund By-law. The counter petition process is a new and recent provision under the Municipal Act. The process requires the City Clerk to issue two notices in a local newspaper with at least 30 days between the second notice and the petition deadline and to report to Council on the outcome of the process. Provided not less than 5% of the total number of electors within the City of Surrey, which equals approximately 7,250 persons, submit a counter petition to the Council to petition against the adoption of the proposed By-law, Council may then proceed to adopt Affordable Housing Special Reserve Fund By-law.

H. Expenditure By-law and Signing of GVHC Administration Agreement

Upon adoption of the Affordable Housing Special Reserve Fund By-law, Council may then proceed with the required Expenditure By-law. Attached in Appendix VI, is a draft expenditure by-law which if adopted would authorize the expenditure of \$300,000 of the interest accrued to the Fund in 1998 and allocated in the 1999 Budget. The Municipal Act requires that Council provide notice for certain kinds of assistance including

financial assistance. Therefore, at any point in time prior to adopting the Expenditure By-law, public notices will need to be published advising the community of the proposed home ownership assistance. After the adoption of the Expenditure By-law the City may then enter into the administration agreement with GVHC to implement the Program.

SUMMARY

An implementation strategy has been prepared to support the Affordable Home Ownership Policy which Council adopted in July 1998. The first phase of the implementation will focus on Option 2 of the Policy, the Home Ownership Assistance Program. The second phase which requires more study will involve public/private sector cooperation to construct affordable homes under the Home Ownership Development Program identified as Option 1. A number of adjustments to the Affordable Home Ownership Policy are recommended to further clarify and refine the Policy.

To satisfy the requirements of the Municipal Act, the City must select a non-profit housing society to administer the Program. Based on staff review of the proposals, it is recommended that the City enter into a five year agreement with the Greater Vancouver Housing Corporation (GVHC) to administer the Home Ownership Assistance Program for a one year period followed by a four year monitoring period. The recommended administration agreement with GVHC is attached to this report for consideration by Council. While the majority of the work will be completed by the GVHC, the City will continue to have some involvement and input in implementing the Program.

To further meet the requirements of the Municipal Act, it is recommended that Council convert the existing Affordable Housing Statutory Reserve Fund to an Affordable Housing Special Reserve Fund and approve the related Expenditure By-law to support implementation of the Home Ownership Assistance Program. Staff will provide Council with a status report on the implementation of the Program within six months of Council adoption of the implementation strategy and an evaluation of the first year of the Program within in one year of entering into an administration agreement with GVHC.

The Legal Services Division has reviewed the attached revised policy, recommended implementation plan and related agreement.

Murray D. Dinwoodie

General Manager

Planning & Development Department

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c.c. - City Manager

Appendices:

Appendix I Revised Affordable Home Ownership Policy

Appendix II Home Ownership Assistance Program

Appendix III Home Ownership Assistance Program - Implementation Summary

Appendix IV GVHC Administration Agreement with the City

Appendix V Affordable Housing Special Reserve Fund By-law

Appendix VI Home Ownership Assistance Expenditure By-law

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